

**THE FOUNDATION FOR THE
LSU HEALTH SCIENCES CENTER**

FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Foundation for the LSU Health Sciences Center
New Orleans, Louisiana

We have audited the accompanying Statements of Financial Position of the Foundation for the LSU Health Sciences Center (the "Foundation") (a nonprofit organization) as of June 30, 2012 and 2011, and the related Statements of Activities, Functional Expenses, and Cash Flows for each of the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2012, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purposes of forming an opinion on the financial statements as a whole. The other supplementary information on pages 31 through 46 is not a required part of the basic financial statements but is supplementary information required by the State of Louisiana. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The other supplementary information and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are fairly stated in all material respects in relation to the financial statements as a whole.

Carr, Riggs & Ingram, LLC

August 27, 2012

FINANCIAL SECTION

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

ASSETS	2012	2011
Current Assets		
Cash and cash equivalents	\$ 5,139,204	\$ 5,029,166
Investments	11,903,675	8,272,204
Unconditional promises to give, net	-	700
Federal grant receivable	225,819	91,807
Other receivables	383,326	353,365
	17,652,024	13,747,242
Noncurrent Assets		
Investments	88,724,281	93,325,143
Unconditional promises to give, net	5,131	8,235
Construction in progress	2,245,889	802,315
Cash restricted for debt service	231,095	108,836
Land	215,027	215,027
	91,421,423	94,459,556
	Total assets	Total assets
	\$ 109,073,447	\$ 108,206,798
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 881,272	\$ 569,759
Bonds payable	95,000	90,000
Split-interest agreements	6,795	6,795
	983,067	666,554
Noncurrent Liabilities		
Amounts held in custody for others	21,857,951	22,818,885
Bonds payable, net	1,095,910	1,194,319
Split-interest agreements	50,940	48,398
	23,004,801	24,061,602
	Total liabilities	Total liabilities
	23,987,868	24,728,156
Net Assets		
Unrestricted	5,625,866	4,442,219
Temporarily restricted	33,339,784	33,406,590
Permanently restricted	46,119,929	45,629,833
	85,085,579	83,478,642
	Total net assets	Total net assets
	\$ 109,073,447	\$ 108,206,798

See accompanying notes to the financial statements.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2012 and 2011

	2012	2011
UNRESTRICTED NET ASSETS		
Unrestricted revenues and other support:		
Contributions	\$ 35,008	\$ 20,912
Management and deposit fee income	1,340,457	1,297,441
Investment income – net	190,783	2,912,959
Federal grant revenue	1,561,894	792,073
Other income	46,753	901,540
	3,174,895	5,924,925
Net assets released from restrictions	5,146,164	5,345,793
Total unrestricted revenues and other support	8,321,059	11,270,718
Expenses:		
Program services	5,146,164	5,345,793
General and administrative	908,386	547,505
Development	1,082,862	780,585
	7,137,412	6,673,883
Total expenses	7,137,412	6,673,883
Increase in unrestricted net assets	1,183,647	4,596,835
TEMPORARILY RESTRICTED NET ASSETS		
Temporarily restricted revenues and other support:		
Contributions	2,856,359	3,129,740
Investment income – net	151,765	12,120,762
Other income (expense)	2,071,234	(864,517)
	5,079,358	14,385,985
Net assets released from restrictions	(5,146,164)	(5,345,793)
Increase (decrease) in temporarily restricted net assets	(66,806)	9,040,192
PERMANENTLY RESTRICTED NET ASSETS		
Permanently restricted revenues and other support:		
Contributions	490,096	1,619,155
	490,096	1,619,155
Increase in permanently restricted net assets	490,096	1,619,155
Increase in net assets	1,606,937	15,256,182
Net assets at beginning of year	83,478,642	68,222,460
Net assets at end of year	\$ 85,085,579	\$ 83,478,642

See accompanying notes to the financial statements.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2012

	Program Services - Scientific, Research and Educational Enhancement of The LSU Health Sciences Center	Supporting Services		Total
		General and Administrative	Development	2012
Advertising	\$ 5,142	\$ 2,475	\$ 52,050	\$ 59,667
Bank charges	-	18,430	-	18,430
Clinical trials, professional education and seminars	66,655	399	-	67,054
Community support	76,183	23,731	435,623	535,537
Conferences, meetings, and other travel	572,749	-	467	573,216
Credit card fees	10,728	498	-	11,226
Depreciation and amortization	-	1,591	-	1,591
Dues and subscriptions	128,723	10,027	67,679	206,429
Entertainment	653,728	1,373	62,817	717,918
Equipment purchases	33,513	-	15,218	48,731
Honoraria	63,412	-	-	63,412
Insurance	-	44,443	32,806	77,249
Interest expense	-	10,252	-	10,252
Management and deposit fees	1,340,456	-	-	1,340,456
Meeting expenses	1,055	6,730	780	8,565
Miscellaneous	6,827	367	31,055	38,249
Occupancy	27,301	14,195	1,818	43,314
Postage and shipping	3,509	1,500	11,624	16,633
Printing and publications	20,670	5,255	9,989	35,914
Professional fees and contract service payments	217,297	377,011	20,165	614,473
Recruitment and relocation	70,376	-	-	70,376
Repairs and maintenance	130	1,350	-	1,480
Salaries and benefits	-	375,106	290,893	665,999
Salary supplemental payments	1,081,170	-	49,775	1,130,945
Scholarships and awards	153,075	-	-	153,075
Supplies	613,465	13,653	103	627,221
	<u>\$ 5,146,164</u>	<u>\$ 908,386</u>	<u>\$ 1,082,862</u>	<u>\$ 7,137,412</u>

See accompanying notes to the financial statements.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2011

	Program Services - Scientific, Research and Educational Enhancement of The LSU Health Sciences Center	Supporting Services		Total 2011
		General and Administrative	Development	
Advertising	\$ 395	\$ -	\$ 11,064	\$ 11,459
Bank charges	-	17,601	-	17,601
Clinical trials, professional education and seminars	117,551	2,186	-	119,737
Community support	90,668	11,750	396,218	498,636
Conferences, meetings, and other travel	652,092	-	898	652,990
Credit card fees	11,076	185	-	11,261
Depreciation and amortization	-	1,591	-	1,591
Dues and subscriptions	131,663	9,258	38,250	179,171
Entertainment	520,493	182	-	520,675
Equipment purchases	27,923	340	14,470	42,733
Honoraria	24,821	-	-	24,821
Insurance	-	34,663	24,728	59,391
Interest expense	-	12,738	-	12,738
Management and deposit fees	1,297,440	-	-	1,297,440
Meeting expenses	17,244	4,527	-	21,771
Miscellaneous	316	344	-	660
Occupancy	27,592	13,976	1,525	43,093
Postage and shipping	9,648	1,418	-	11,066
Printing and publications	61,750	5,076	-	66,826
Professional fees and contract service payments	266,139	90,500	22,036	378,675
Recruitment and relocation	52,051	-	-	52,051
Repairs and maintenance	6,317	1,727	-	8,044
Salaries and benefits	-	329,674	245,784	575,458
Salary supplemental payments	968,179	-	12,500	980,679
Scholarships and awards	181,011	-	12,000	193,011
Supplies	881,424	9,769	1,112	892,305
	<u>\$ 5,345,793</u>	<u>\$ 547,505</u>	<u>\$ 780,585</u>	<u>\$ 6,673,883</u>

See accompanying notes to the financial statements.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2012 and 2011

	2012	2011
Cash Flows From Operating Activities		
Change in net assets	\$ 1,606,937	\$ 15,256,182
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	1,591	1,591
Gain on sale of property	-	(18,294)
Change in allowance for uncollectible accounts	4,810	2,667
Net change in discount on unconditional promises to give	(1,006)	(47)
Realized and unrealized gain on investments	3,102,025	(15,269,722)
Changes in operating assets and liabilities:		
(Increase) Decrease in other receivables	(163,973)	789,389
Increase in accounts payable and accrued expenses	311,513	166,280
Increase (Decrease) in split-interest agreement	2,542	(1,310)
Increase (Decrease) in funds held in custody	(960,934)	3,471,881
Contributions permanently restricted by donors	(490,096)	(1,619,155)
Net cash provided by (used in) operating activities	3,413,409	2,779,462
Cash Flows From Investing Activities		
Net (purchases) sales and maturities of investments	(2,132,634)	817,040
Change in cash restricted for debt service	(122,259)	(10,778)
Proceeds from sale of property	-	118,734
Additions to construction in progress	(1,443,574)	(802,315)
Net cash provided by (used in) investing activities	(3,698,467)	122,681
Cash Flows From Financing Activities		
Payments on bonds payable	(95,000)	(285,000)
Contributions permanently restricted by donors	490,096	1,619,155
Net cash provided by financing activities	395,096	1,334,155
Net Increase in Cash and Cash Equivalents	110,038	4,236,298
Cash and Cash Equivalents		
Beginning of year	5,029,166	792,868
End of year	\$ 5,139,204	\$ 5,029,166
Supplemental data:		
Cash paid for interest	\$ 10,252	\$ 12,738

See accompanying notes to the financial statements.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2012 and 2011

NOTE 1 - NATURE OF ACTIVITIES

The Foundation for the LSU Health Sciences Center (the “Foundation”) supports the activities of the LSU Health Sciences Center. The Foundation’s activities and purpose include scientific research, educational, solicitation and management of funds, including endowments, and other functions for the benefit of the LSU Health Sciences Center. The Foundation is supported primarily through donor contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Organization and Income Taxes

The Foundation is a Louisiana nonprofit organization under Section 509(a)(3) of the Internal Revenue code that been granted an exemption from the payment of income taxes under Section 503(c)(3) and has been determined to be other than private foundations. The Foundation’s management believes that the Foundation continues to operate in a manner that preserves its tax exempt status.

On January 1, 2009, the Foundation adopted a standard relating to the accounting for uncertainty in income taxes. The tax effect from an uncertain tax position can be recognized in the financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The Foundation recognizes the financial statement benefits of a tax position only after determining that the relevant tax authority would be more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority. At the adoption date, the Foundation applied the new accounting standard to all tax positions for which the statute of limitations remained open. The Foundation did not make any adjustment to beginning net assets as a result of the implementation of the accounting standard. Based on its evaluation, the Foundation has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The Foundation is no longer subject to U.S. federal income tax examinations by the Internal Revenue Service for the fiscal years before 2008.

b) Basis of Accounting

The financial statements of the Foundation are prepared on the accrual basis of accounting.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Risks and Uncertainties

The Foundation holds various investments in any combination of stocks, bonds, fixed income securities, mutual funds and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit. Given the level of risk associated with certain investment securities and the level of uncertainty related to the changes in the value of investment securities it is at least reasonably possible that changes in values in the near term could materially affect investment balances and the amounts reported in the Statements of Financial Position and the Statements of Activities.

d) Basis of Presentation

Financial statement presentation follows the reporting requirements of FASB Accounting Standards Codification (“ASC”) 958, *Not-for-Profit Entities*, which establishes external financial reporting for not-for-profit organizations. Under ASC 958, net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time.

Permanently Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that the principal not be expended, but rather, invested to provide a permanent source of income for the Foundation’s programs.

e) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

f) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation consider all highly liquid investments in money market funds and investments available for current use with an initial maturity of three months or less to be cash equivalents.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Investments

Investments are carried at estimated current market value. Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the Statement of Financial Position.

h) Noncurrent Liabilities

Noncurrent liabilities include principal amounts of bonds payable and other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

i) Funds Held in Custody for Others

The Foundation considers all state matching funds and unexpended income from these funds to be reported as Funds Held in Custody for Others. All Funds Held in Custody for Others are recorded at fair market value.

j) Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

k) Unconditional Promises to Give

Contributions are recognized when a donor makes a promise to give to the Foundation that is, in substance, unconditional. The promises to give are recognized as assets and revenues, net of an allowance for uncollectible amounts. The allowance is based on historical experience and management's analysis of specific promises made. Management's estimate for the allowance of uncollectible promises to give at June 30, 2012 and 2011 was \$3,638 and \$6,178, respectively. A provision for uncollectible promises to give was not recorded for the years ended June 30, 2012 and 2011.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Property and Equipment

The Foundation capitalizes acquisitions of property, furniture, equipment, and accounting software purchased with unrestricted funds in excess of \$5,000. Costs of property, furniture, equipment, and accounting software purchased with unrestricted funds that are less than \$5,000 are charged to expense. The cost of these assets that is classified as program services expense is not capitalized by the Foundation as these assets are owned and used by departments of the LSU Health Sciences Center. Acquisitions of these assets with restricted private donations are also not capitalized by the Foundation as these assets belong to the State of Louisiana. Capitalized assets are carried at cost or, if donated, at the approximate fair value at the date of donation. As of June 30, 2012, all other furniture, equipment, and accounting software owned by the Foundation were purchased with restricted private donations and have not been capitalized. Accounting software is being depreciated over estimated useful lives of one to five years using a straight-line method.

m) Expense Allocation

The costs of providing various programs and other activities are summarized on a functional basis in the financial statements. Accordingly, certain costs are allocated among the programs and supporting services benefited.

n) Required Transfers

The Foundation has received various matching grants from the State of Louisiana under the Eminent Scholars Endowed Chairs and Endowed Professorships programs, which are only approved after certain levels of private funding have been raised. The Foundation must comply with certain policies, procedures, and regulations regarding the administration of these programs. One of the requirements of the Board of Regents for Higher Education's investment policy relates to increasing each program's endowment balance each year and some transfers to permanently restricted net assets were made to comply with this policy.

o) Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Subsequent Events

Subsequent events have been evaluated through August 27, 2012, the date the financial statements were available to be issued.

NOTE 3 - RESTRICTIONS ON ASSETS

Temporarily restricted net assets are restricted by donors for specific programs, purposes, or to assist specific departments of the LSU Health Sciences Center. The Foundation conducts numerous program services, including assistance with research, scientific endeavors, educational assistance through faculty salary supplemental compensation and student scholarships, equipment purchases for specific departments, etc. These restrictions are considered to expire when payments for restricted purposes are made. None of the temporarily restricted net assets are time-restricted by donors.

NOTE 4 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Permanently restricted purposes	\$ 10,300	\$ 17,650
Less: unamortized discount	(1,531)	(2,537)
Less: allowance for uncollectible amounts	<u>(3,638)</u>	<u>(6,178)</u>
Net unconditional promises to give	<u>\$ 5,131</u>	<u>\$ 8,935</u>
Amount due in:		
Less than one year	\$ -	\$ 700
One to five years	3,200	7,600
Over five years	<u>7,100</u>	<u>9,350</u>
Total	<u>\$ 10,300</u>	<u>\$ 17,650</u>

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 5 - INVESTMENTS

As of June 30, 2012, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>
U.S. Government Agency mortgage-backed securities	\$ 3,392,414	\$ 4,035,181	\$ 642,767
U.S. Government Agency bonds and notes	21,826,505	25,962,013	4,135,508
Corporate bonds and notes	4,940,573	5,876,673	936,100
Mutual funds and other equities	39,016,993	46,409,613	7,392,620
Hedge funds	5,913,460	7,033,894	1,120,434
Money market/certificates of deposit	<u>11,310,582</u>	<u>11,310,582</u>	-
Total	<u>\$ 86,400,527</u>	<u>\$ 100,627,956</u>	<u>\$ 14,227,429</u>

Investment return for the year ended June 30, 2012 is summarized as follows:

Interest and dividend income	\$ 4,578,568
Net realized and unrealized gains	<u>(3,102,025)</u>
Total investment income	<u>\$ 1,476,543</u>

As of June 30, 2011, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
U.S. Government Agency mortgage-backed securities	\$ 3,022,565	\$ 3,708,303	\$ 685,738
U.S. Government Agency bonds and notes	20,992,333	25,754,927	4,762,594
Corporate bonds and notes	8,322,404	10,210,533	1,888,129
Mutual funds and other equities	37,604,018	46,135,356	8,531,338
Hedge funds	6,442,618	7,904,274	1,461,656
Money market/certificates of deposit	<u>7,883,954</u>	<u>7,883,954</u>	-
Total	<u>\$ 84,267,892</u>	<u>\$ 101,597,347</u>	<u>\$17,329,455</u>

Investment return for the year ended June 30, 2011 is summarized as follows:

Interest and dividend income	\$ 2,755,879
Net realized and unrealized gains	<u>15,269,722</u>
Total investment income	<u>\$ 18,025,601</u>

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 5 – INVESTMENTS (CONTINUED)

The Board of Directors has been advised by legal counsel that under Louisiana state law, the gains from sales of securities and increases in market value are to be treated as principal, and must be retained in endowment fund accounts. However, under the Uniform Management of Institutional Funds Act adopted in Louisiana, such gains and appreciation in value may be expended for the purposes designated by the donors if it is prudent in the judgment of the Board of Directors after considering the long and short term needs of the LSU Health Sciences Center, its present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions.

If any donor stipulates that realized and unrealized investment gains should not be spent on the restricted purpose for which a fund was originated, then such gains will be added to investment principal and will not be expendable in the future. No such stipulations were present at June 30, 2012.

Investment income from interest, dividends and realized gains and losses are allocated to various activities and programs under the Foundation's investment policy. The portion that pertains to unrestricted and short term donor restricted activities is reported as unrestricted revenue, and the portion that pertains to permanent endowment activities is reported as temporarily restricted revenue, because it could be expended on the restricted purposes of the endowments in subsequent periods.

The Foundation invests in a hedge fund. The investment is a sophisticated, multi-strategy, multi-manager program designed to achieve an optimal balance of upside return potential and downside protection. The investment offers a diversified strategy protecting and preserving the Foundation's capital and a hedged equity strategy providing long-term capital growth. Both strategies also work to deliver risk-adjusted returns by capturing the market's return potential but with much less volatility. The portfolios are constructed using a time tested, disciplined methodology focused first on risk management. The managers then work to identify strategies within a framework and to develop relationships with investment managers. The fund has a demonstrated track record of superior performance in maintaining a highly disciplined and effective investment allocation decision process. The result is a portfolio with a demonstrated ability to protect capital from loss in adverse market conditions and to produce superior risk-adjusted returns. The derivative instrument is designated as a fair value hedging instrument. The fund's fair market value was \$7,033,894 and \$7,904,274 at June 30, 2012 and 2011, respectively.

The Foundation's objective is to maximize its returns related to this investment. The Foundation does not invest in individual hedge funds, but instead, monitors the activity and returns of the manager. The Foundation's investment committee continuously examines the returns of the manager to ensure the Foundation's investment objectives are reached.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 5 – INVESTMENTS (CONTINUED)

The returns from this hedge fund are reported and posted quarterly reflecting the fair market value as of the reporting date. The earnings on the hedge fund are included in unrealized gains (losses) in the Statement of Activities.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2012</u>	<u>2011</u>
Construction in progress	\$ 2,245,889	\$ 802,315
Land	<u>215,027</u>	<u>215,027</u>
Total non depreciable assets	<u>\$ 2,460,916</u>	<u>\$ 1,017,342</u>

The building owned and operated by the Foundation located at 2000 Tulane Avenue was heavily damaged by Hurricane Katrina on August 29, 2005 and was demolished during fiscal year 2010 (See Note 15).

NOTE 7 - CONCENTRATION OF CREDIT RISKS

The Foundation maintains its cash accounts in several financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 and collateralized for greater amounts by agreement with some financial institutions. Additionally, in accordance with the Dodd-Frank Insurance Provision, non-interest bearing transaction accounts are fully insured by the FDIC. This provision is effective from December 31, 2010 through December 31, 2012. At June 30, 2012, the Foundation's balances are fully insured or collateralized.

NOTE 8 - FUNDS HELD IN CUSTODY

Under agreements with Louisiana State University Agricultural and Mechanical College (the "University"), the Foundation holds and manages funds received by the University as state matching funds for various accounts of the Eminent Scholars Endowed Chairs and the Endowed Professorship Programs. Funds held in custody were \$21,857,951 and \$22,818,885 on June 30, 2012 and 2011, respectively. The amount of state matching funds received was \$80,000 and \$480,000 for the fiscal years ended 2012 and 2011, respectively.

NOTE 9 - ADVERTISING

The Foundation advertises to promote its programs. The production costs of advertising are expensed as incurred. Advertising costs for the fiscal years ended June 30, 2012 and 2011 were \$59,667 and \$11,459, respectively.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 10 - BONDS PAYABLE

The Foundation financed the renovation of a building (2000 Tulane Avenue) purchased on May 15, 2003 with bond proceeds of \$2,035,000 over a 20-year period through the LPFA Capital Facilities Pool Program. The bond issue is supported by a bank letter of credit. As discussed in Note 15, the building was heavily damaged by Hurricane Katrina on August 29, 2005 and during fiscal year 2010, the building was demolished. The Foundation reduced certain expenditures and as a result, has met the below described debt obligation for fiscal years ending 2006 through 2012 and believes it will be able to continue to do so even with the loss of the rental income from the building.

The Foundation issued bonds in January 2002 totaling \$2,035,000 with a variable interest rate. The interest rate for fiscal years 2012 and 2011 amounted to approximately 0.88% and 0.80%, respectively. The bond issuance costs of \$35,000 are being amortized over the life of the bonds beginning July 1, 2002. Bond amortization expense for each of the fiscal years ended June 30, 2012 and 2011 was \$1,591.

Unamortized bond issuance costs at June 30, 2012 and June 30, 2011 were \$19,090 and \$20,681, respectively. Bonds payable, net at June 30, 2012 and 2011 were \$1,190,910 and \$1,284,319, respectively.

The bond proceeds were used to finance the renovation of the building. Bond proceeds available at June 30, 2012 are held by a trustee in restricted cash accounts. Restricted cash at June 30, 2012 and 2011 totaled \$231,095 and \$108,836, respectively. Principal payments of \$95,000 and \$285,000 were made on the bond in the years ended June 30, 2012 and 2011, respectively. Interest was accrued and paid on the bonds in the amounts of \$10,252 and \$12,738 for the years ended June 30, 2012 and 2011, respectively.

The future maturities of bonds payable are as follows:

Years ending June 30:	
2013	\$ 95,000
2014	95,000
2015	100,000
2016	105,000
2017	110,000
2018-2022	625,000
2023-2024	<u>80,000</u>
Total	<u>\$ 1,210,000</u>

NOTE 11 - RETIREMENT PLAN

Effective July 1, 2002, the Foundation established a Tax Deferred Annuity or 403(b) Plan. The Foundation's total contributions expense was \$30,058 and \$27,618 as of June 30, 2012 and 2011, respectively, which is included in salaries and benefits.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 11 - RETIREMENT PLAN (CONTINUED)

The Foundation contributes to the Louisiana State University Health Sciences Center Foundation 403(b) Plan, which is intended to be an ERISA Section 404(c) participant-directed plan. Participants exercise control over the assets in their accounts, which is funded exclusively through the purchase of annuity contracts for The Variable Annuity Life Insurance Company (VALIC). Employees are eligible to participate upon the date of employment. Under the Plan, the Foundation matches amounts contributed up to 6% of the employee's compensation only if the employee has completed a year of service and is at least 21 years of age.

NOTE 12 - SPLIT-INTEREST AGREEMENTS

The Foundation has entered into two (2) charitable gift annuity agreements. A charitable gift annuity provides for the payment of distributions to the grantor or designated beneficiaries over the trust's term. In consideration of the contribution, the Foundation shall pay an annual annuity of \$6,795 paid in quarterly installments to the donor so long as they are living. The Foundation's obligation will terminate upon the donor's death. The present value of the estimated future payments (\$57,735 at June 30, 2012) is calculated using a discount rate of 1.2% and the applicable mortality rates. The Foundation made payments to the donor in the amount of \$6,975 for each of the years ended June 30, 2012 and 2011, respectively.

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820") and FASB ASC 825, *Financial Instruments* ("ASC 825") require disclosure of fair value information about financial instruments, whether or not recognized in the Statements of Financial Position. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Foundation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. ASC 825 excludes certain financial instruments from its disclosure requirements.

Level 1 classification is applied to any asset that has a readily available quoted price from an active market where there is significant transparency in the executed/quoted price.

Level 2 classification is applied to assets that have evaluated prices received from fixed income vendors with data inputs which are observable either directly or indirectly, but do not represent quoted prices from an active market for each individual security.

Level 3 classification is applied to assets for which prices are not derived from existing market data.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011**

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Investment securities - The fair value of investment securities including U.S. government agency mortgage-backed securities, U.S. government agency bonds and notes, corporate bonds and notes, hedge funds and mutual funds and other equities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quoted prices are not available, fair value is based on externally developed models that use unobservable inputs due to the limited market activity of the investment.

Money market/certificate of deposit - The fair value of money market accounts and certificates of deposit are the amounts payable on demand at the reporting date. The fair value is estimated by discounting the future cash flows using the market rates offered as of December 31 for similar deposits with the same remaining maturities.

Unconditional promises to give - The fair value of contributions is equal to the carrying value for contributions expected to be collected within one year. Contributions expected to be collected in future periods are discounted to present value based on management's assumptions.

Split interest agreements - The fair value of split interest agreements is based on the present value of estimated future payments based on management's assumptions.

The valuation of the Foundation's assets and liabilities measured at fair value on a recurring basis at June 30, 2012 and 2011 are as follows:

Fair value measurement at reporting date using above description:

June 30, 2012

ASSETS	Balance as of 6/30/2012	Level 1	Level 2	Level 3
Unconditional promises to give	\$ 5,131	\$ -	\$ -	\$ 5,131
U.S. government agency mortgage-backed securities	4,035,181	-	4,035,181	-
U.S. government agency bonds and notes	25,962,013	-	25,962,013	-
Corporate bonds and notes	5,876,673	5,876,673	-	-
Mutual funds and other equities	46,409,613	46,409,613	-	-
Hedge funds	7,033,894	-	7,033,894	-
Money market/certificates of deposit	11,310,582	-	11,310,582	-
Total	\$ 100,633,087	\$ 52,286,286	\$ 48,341,670	\$ 5,131

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

LIABILITIES	Balance as of 6/30/2012	Level 1	Level 2	Level 3
Split interest agreements	\$ 57,735	\$ -	\$ 57,735	\$ -
Total	\$ 57,735	\$ -	\$ 57,735	\$ -

The changes in investments measured at fair value for which the Foundation has used Level 3 inputs to determine fair values are as follows:

ASSETS	Level 3 beginning balance 7/1/2011	Net realized and unrealized gains (losses)	Net payments and gifts	Level 3 ending balance 6/30/2012
Unconditional promises to give	\$ 8,935	\$ (11,154)	\$ 7,350	\$ 5,131
Total	\$ 8,935	\$ (11,154)	\$ 7,350	\$ 5,131

Fair value measurement at reporting date using above description:

June 30, 2011

ASSETS	Balance as of 6/30/2011	Level 1	Level 2	Level 3
Unconditional promises to give	\$ 8,935	\$ -	\$ -	\$ 8,935
U.S. government agency mortgage-backed securities	3,708,303	-	3,708,303	-
U.S. government agency bonds and notes	25,754,927	-	25,754,927	-
Corporate bonds and notes	10,210,533	10,210,533	-	-
Mutual funds and other equities	46,135,356	46,135,356	-	-
Hedge funds	7,904,274	-	7,904,274	-
Money market/certificates of deposit	7,883,954	-	7,883,954	-
Total	\$ 101,606,282	\$ 56,345,889	\$ 45,251,458	\$ 8,935

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The changes in investments measured at fair value for which the Foundation has used Level 3 inputs to determine fair values are as follows:

LIABILITIES	Balance as of 6/30/2011	Level 1	Level 2	Level 3
Split interest agreements	\$ 55,193	\$ -	\$ 55,193	\$ -
Total	\$ 55,193	\$ -	\$ 55,193	\$ -

ASSETS	Level 3 beginning balance 7/1/2010	Net realized and unrealized gains (losses)	Net payments and gifts	Level 3 ending balance 6/30/2011
Unconditional promises to give	\$ 11,555	\$ (6,720)	\$ 4,100	\$ 8,935
Total	\$ 11,555	\$ (6,720)	\$ 4,100	\$ 8,935

NOTE 14 – RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2012</u>	<u>2011</u>
Awards	\$ 33,004	\$ 35,052
Chairs	13,159,315	13,860,148
General Endowments	(340,985)	(1,234,827)
Gift Annuities	(33,135)	(22,317)
Memorials	54,483	59,821
Professorships	5,507,809	5,814,813
Scholarships	1,535,954	1,732,759
Superchairs	1,071,991	1,039,341
Donor restrictions	<u>12,351,347</u>	<u>12,121,800</u>
 Total temporarily restricted nets assets	 <u>\$ 33,339,784</u>	 <u>\$ 33,406,590</u>

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2012 and 2011

NOTE 14 – RESTRICTED NET ASSETS (CONTINUED)

Permanently restricted net assets are available for the following purposes or periods:

	<u>2012</u>	<u>2011</u>
Awards	\$ 24,565	\$ 24,565
Chairs	25,929,036	26,050,519
General Endowments	2,976,284	2,960,938
Gift Annuities	43,457	43,457
Memorials	99,435	99,435
Professorships	11,053,134	10,519,222
Scholarships	3,169,739	3,107,419
Superchairs	<u>2,824,279</u>	<u>2,824,278</u>
Total temporarily restricted nets assets	<u>\$ 46,119,929</u>	<u>\$ 45,629,833</u>

NOTE 15- RELATED PARTY TRANSACTIONS

In the normal course of business, the Foundation reimburses the LSU Health Sciences Center for certain expenses and makes distributions to or on behalf of the Health Sciences Center. The Foundation also provides certain services for the Health Sciences Center. Included in expenses for the year ended June 30, 2012 and 2011 are \$3,805,708 and \$4,046,872, respectively, which represents payments on behalf of the Health Sciences Center. At June 30, 2012 and 2011, there were no funds due to or from the Health Sciences Center.

NOTE 16 - REPLACEMENT BUILDING

During fiscal 2006, Hurricane Katrina heavily damaged the building (2000 Tulane Avenue) that housed the Foundation's offices. During fiscal 2010, the building was demolished and the resulting loss was recorded on the Foundation's Statement of Activities and the net cost of the building recorded on the Foundation's Statement of Financial Position was written off.

The Foundation has negotiated with the Federal Emergency Management Agency (FEMA) and received a project worksheet for \$7,469,668. The Foundation has begun the process of building a new facility at a contracted cost of \$7,469,668. This building is expected to be completed in the Spring of 2013 and as of June 30, 2012 and 2011, the Foundation had \$2,245,889 and \$802,315, respectively, in construction in progress recorded on its Statement of Financial Position related to this building.

**REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS* AND
THE SINGLE AUDIT ACT**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
The Foundation for the LSU Health Sciences Center
New Orleans, Louisiana

We have audited the financial statements of the Foundation for the LSU Health Sciences Center (the “Foundation”) (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated August 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of The Foundation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered The Foundation’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in

internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management of the Foundation, the Board of Directors, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Carr, Riggs & Ingram, LLC

August 27, 2012



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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
The Foundation for the LSU Health Sciences Center
New Orleans, Louisiana

Compliance

We have audited the compliance of The Foundation for the LSU Health Sciences Center (the “Foundation”) (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Foundation’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Foundation’s management. Our responsibility is to express an opinion on the Foundation’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Foundation’s compliance with those requirements.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Foundation's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management of the Foundation, its Board of Directors, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Carr, Riggs & Ingram, LLC

August 27, 2012

**Foundation for the LSU Health Sciences Center
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012**

DESCRIPTION	CFDA NUMBER	FEDERAL AND OTHER EXPENDITURES
DEPARTMENT OF HOMELAND SECURITY		
Pass through the State of Louisiana:		
Governor's Office of Homeland Security and Emergency		
Preparedness		
Public Assistance Grant - Katrina 1603	97.036	\$ <u>1,561,894</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY		\$ <u><u>1,561,894</u></u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ <u><u>1,561,894</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
For the Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basic of Presentation

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Grant revenue was recorded for financial reporting purposes when the Foundation has met the qualifications for the respective grant. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts are presented in, or used in the preparation of, the basic financial statements.

Accrued and Deferred Reimbursement

Timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year-end represented an excess of reimbursable expenditures over cash reimbursements received. Generally, accrued balances caused by differences in the timing of cash reimbursements and expenditures will be reversed in the remaining grant period.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

A. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the financial statements of the Foundation.
2. No control deficiencies were disclosed during the audit of the financial statements and reported in the *Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Foundation are reported in the *Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the *Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133*.
5. The auditors' report on compliance with requirements applicable to major federal award programs for the Foundation expresses an unqualified opinion.
6. The auditors' report disclosed no findings that were required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. A management letter was not issued for the year ended June 30, 2012.
8. The program tested as major program was:

	<u>CFDA No.</u>
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036
9. The threshold for distinguishing between type A and type B programs was \$300,000.
10. The Foundation was determined to be a high-risk auditee.

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There were no findings required to be reported in this section.

C. FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS

There were no findings required to be reported in this section.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
SUMMARY SCHEDULE OF PRIOR YEAR
FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None.

**SECTION II - FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL
AWARD PROGRAMS**

None.

SECTION III – MANAGEMENT LETTER

A management letter was not issued in prior year.

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2012**

SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None.

**SECTION II- FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL
AWARD PROGRAMS**

None.

**SUPPLEMENTAL INFORMATION REQUIRED
BY THE STATE OF LOUISIANA**

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF FINANCIAL POSITION
For the Year Ended June 30, 2012

ASSETS

Current Assets:

Cash and cash equivalents	\$	5,139,204
Restricted cash		231,095
Investments		11,903,675
Accounts receivable, net		383,326
Pledges receivable		-
Due from federal government		225,819
Deferred charges and prepaid expenses		-
Notes receivable		-
Other current assets		-
Total current assets		17,883,119

Noncurrent Assets:

Restricted assets:

Cash and cash equivalents		-
Investments		-
Other		-
Investments		88,724,281
Pledges receivable		-
Notes receivable		-
Property and equipment, net		2,460,916
Other noncurrent assets		5,131
Total noncurrent assets		91,190,328

Total assets	\$	109,073,447
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(Continued)

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF FINANCIAL POSITION (CONTINUED)
For the Year Ended June 30, 2012

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities	\$	881,272
Derivative instrument liability		-
Deferred revenues		-
Due to State Treasury		-
Amounts held in custody for others		-
Other liabilities		-
Current portion of long-term debt:		-
Compensated absences payable		-
Capital lease obligations		-
Claims and litigation payable		-
Notes payable		-
Contracts payable		-
Reimbursement contracts payable		-
Bonds payable		95,000
Other liabilities		6,795
Total current liabilities		983,067

Long-Term Portion of Noncurrent Liabilities:

Compensated absences payable		-
Capital lease obligations		-
Claims and litigation payable		-
Notes payable		-
Contracts payable		-
Reimbursement contracts payable		-
Bonds payable		1,095,910
Other liabilities		21,908,891
Total noncurrent liabilities		23,004,801
Total liabilities		23,987,868

NET ASSETS

Invested in capital assets, net of related debt		2,460,916
Restricted:		
Nonexpendable		46,119,929
Expendable		33,339,784
Unrestricted		3,164,950
Total net assets		85,085,579
Total liabilities and net assets	\$	109,073,447

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF REVENUES, EXPENSES, AND
CHANGE IN NET ASSETS
For the Year Ended June 30, 2012

	<u>Foundation for the LSUHSC</u>
OPERATING REVENUES	
Student tuition and fees	\$ -
Less scholarship allowances	-
Net student tuition and fees	-
Gifts received by foundations	2,891,367
Endowment income	-
Federal appropriations	-
Federal grants and contracts	1,561,894
State and local grants and contracts	-
Nongovernmental grants and contracts	1,340,457
Sales and services of educational departments	-
Hospital income	-
Auxiliary enterprise revenues (including revenues pledged to secure debt)	-
Less scholarship allowances	-
Net auxiliary revenues	-
Other operating revenues	2,117,987
Total operating revenues	7,911,705
 OPERATING EXPENSES	
Educational and general:	-
Instruction	-
Research	-
Public service	-
Academic support	-
Student services	-
Institutional support	-
Operation and maintenance of plant	-
Scholarships and fellowships	-
Auxiliary enterprises	-
Hospital	-
Other operating expenses	1,991,248
Total operating expenses	1,991,248
 Operating Income (Loss)	 5,920,457

(Continued)

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF REVENUES, EXPENSES, AND
CHANGE IN NET ASSETS (CONTINUED)
For the Year Ended June 30, 2012

NONOPERATING REVENUES (Expenses)	
State appropriations	\$ -
Gifts	-
Federal nonoperating revenues (expenses)	-
ARRA revenues	-
Net investment income	342,548
Interest expense	-
Payment to or on behalf of University	(5,146,164)
Other nonoperating revenues (expenses)	-
Net nonoperating revenues	<u>(4,803,616)</u>
Income Before Other Revenues, Expenses, Gains, and Losses	1,116,841
Capital appropriations	-
Capital gifts and grants	-
Additions to permanent endowments	490,096
Other additions, net	-
	<u>-</u>
Increase in Net Assets	1,606,937
Net Assets at Beginning of Year	<u>83,478,642</u>
Net Assets at End of Year	<u>\$ 85,085,579</u>

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF ACTIVITIES - GASB
For the Year Ended June 30, 2012

Expenses	Charges for Services	Operating grants and contributions	Capital grants and contributions	Net (expense) revenue and change in net assets
\$ (7,137,412)	\$ 1,340,457	\$ 3,381,463	\$ 1,561,894	\$ (853,598)

General Revenues:

State appropriations	\$ -
Grants and contributions not restricted to specific programs	-
Interest	342,548
Miscellaneous	2,117,987
Special items	-
Total general revenues and special items	2,460,535
Change in net assets	1,606,937
Net assets , beginning of year	83,478,642
Net assets, end of year	\$ 85,085,579

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF ACTIVITIES (FASB)
For the Year Ended June 30, 2012

Changes in unrestricted net assets:

Contributions	\$	35,008
Investment earnings (loss), net		190,783
Grants and contracts		1,561,894
Service fees		1,340,457
Other revenues		46,753
Total unrestricted revenues		3,174,895
Net assets released from restrictions:		
Reclassification in net assets due to change in law		-
Satisfaction of program expenses		5,146,164
Total unrestricted revenues and other support		8,321,059

Expenses:

Amounts paid to benefit Louisiana State University for:		
Projects specified by donors		3,443,728
Projects specified by the Board of Directors		-
Other:		
Grants and contracts		1,557,753
Property operations		27,301
Other		117,382
Total program expenses		5,146,164

Supporting services:

Salaries and benefits		715,774
Occupancy		16,013
Office operations		139,655
Travel		467
Professional services		397,176
Dues and subscriptions		77,706
Meetings and development		64,589
Depreciation		1,591
Other		578,277
Total supporting services		1,991,248

Fund-raising expenses

Total expenses		7,137,412
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Increase (decrease) in unrestricted net assets		1,183,647
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(Continued)

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
STATEMENT OF ACTIVITIES - FASB (CONTINUED)
For the Year Ended June 30, 2012

Changes in temporarily restricted net assets:	
Contributions	\$ 2,856,359
Investment earnings	151,765
Changes in value of split interest agreements	-
Other	2,071,234
Total temporarily restricted revenues	<u>5,079,358</u>
Net assets released from restrictions:	
Reclassification in net assets due to change in law	-
Satisfaction of program expenses	<u>(5,146,164)</u>
 Increase (decrease) in temporarily restricted net assets	 <u>(66,806)</u>
 Changes in permanently restricted net assets:	
Contributions	490,096
Investment earnings	-
Other	-
Net assets released from donor restrictions	<u>-</u>
 Increase (decrease) in permanently restricted net assets	 <u>490,096</u>
 Increase (decrease) in net assets	 1,606,937
 Net assets at beginning of year	 <u>83,478,642</u>
 Net assets at end of year	 <u><u>\$ 85,085,579</u></u>

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO OTHER SUPPLEMENTAL INFORMATION
REQUIRED BY THE STATE OF LOUISIANA
For the Year Ended June 30, 2012

Note A. 15 Component Units - Discrete

1. A brief description of the component unit including its relationship to the University; a discussion of the criteria for including it; how it is reported, and the nature and amount of significant transactions between the university and the component unit.

The Foundation for the LSU Health Sciences Center is a legally separate, tax-exempt organization supporting the LSU System, specifically the following campus: LSU Health Sciences Center. This foundation was included in the university's financial statements because its assets equaled 3% or more of the assets of the university system it supports.

During the year ended June 30, 2012, the Foundation for the LSU Health Sciences Center made distributions to or on behalf of the university for both restricted and unrestricted purposes in the amount of \$5,146,164

Complete financial statements for the Foundation for the LSU Health Sciences Center can be obtained from:

450A S. Claiborne Ave., New Orleans, LA 70112
(mailing address)

or from the foundation's website at: www.lsuhealthfoundation.org

The Foundation for the LSU Health Sciences Center is a nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the foundation's financial information in the university's financial report for these differences.

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO OTHER SUPPLEMENTAL INFORMATION (CONTINUED)
REQUIRED BY THE STATE OF LOUISIANA
For the Year Ended June 30, 2012

Note C. 2 Investments and Custodial Credit Risk

<u>Type of Investment</u>	<u>Investments Exposed to Custodial Credit Risk</u>		<u>All Investments Regardless of Custodial Credit Risk Exposure</u>	
	<u>Uninsured, *Unregistered, and Held by Counterparty</u>	<u>Uninsured, *Unregistered, and Held by Counterparty's Trust Dept. or Agent not in Entity's Name</u>	<u>Reported Amount on SNA</u>	<u>Fair Value</u>
Repurchase agreements	\$ -	\$ -	\$ -	\$ -
Negotiable CD's	-	-	-	-
U.S. Treasury Securities	-	-	-	-
Other direct obligations of US	-	-	-	-
U.S. Government Agency Securities:				
Bonds and Notes:				
Federal Home Loan Mortgage Corporation	-	-	-	-
Federal National Mortgage Association	-	-	-	-
Federal Home Loan Bank	-	-	-	-
Federal Farm Credit Bank	-	-	-	-
Farmer Agricultural Mortgage Corporation	-	-	-	-
Collateralized Mortgage Obligations				
Federal National Mortgage Association	-	-	-	-
Federal Home Loan Banks	-	-	-	-
Federal Home Loan Banks	-	-	-	-
Federal Home Loan Mortgage Corporation	-	-	-	-
Government National Mortgage Association	-	-	-	-
Mortgage Backed Securities				
Federal National Mortgage Association	-	-	-	-
Federal Home Loan Mortgage Corporation	-	-	-	-
Government National Mortgage Association	-	-	-	-
Small Business Administration	-	-	-	-
Corporate Debt obligation	-	-	-	-
Municipal debt obligations	-	-	-	-
Debt mutual funds	-	-	-	-
Money market mutual funds	-	-	-	-
Equity Mutual funds	-	-	-	-
Investments held through foundations (total balance)	100,627,956	-	100,627,956	100,627,956
Investments in external investment pools other than through foundations	-	-	-	-
Common and preferred stock	-	-	-	-
Other investments	-	-	-	-
Realty investments	-	-	-	-
Louisiana Public Facilities Authority	-	-	-	-
LSU Housing Foundation	-	-	-	-
New Orleans Regional Physician Hospital Organization	-	-	-	-
HCN Investment Account	-	-	-	-
Total investments	\$ 100,627,956	\$ -	\$ 100,627,956	\$ 100,627,956

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO OTHER SUPPLEMENTAL INFORMATION
REQUIRED BY THE STATE OF LOUISIANA (CONTINUED)
For the Year Ended June 30, 2012

<u>Component Unit(s)</u>	Balance 6/30/2011	Prior Period Adjustments	Restated Balance 6/30/2011	Additions	Reclassifications of CIP	Retirements	Balance 6/30/2012
Capital assets not depreciated:							
Land	\$ 215,027	\$ -	\$ 215,027	\$ -	\$ -	\$ -	\$ 215,027
Non-depreciable land improvements	-	-	-	-	-	-	-
Non-depreciable easements	-	-	-	-	-	-	-
Capitalized collections	-	-	-	-	-	-	-
Livestock	-	-	-	-	-	-	-
Software - development in progress	-	-	-	-	-	-	-
Construction in progress	802,315	-	802,315	1,443,574	-	-	2,245,889
Total capital assets not depreciated	<u>\$ 1,017,342</u>	<u>\$ -</u>	<u>\$ 1,017,342</u>	<u>\$ 1,443,574</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,460,916</u>
Other capital assets:							
Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
** Accumulated depreciation	-	-	-	-	-	-	-
Total infrastructure	-	-	-	-	-	-	-
Depreciable land improvements	-	-	-	-	-	-	-
** Accumulated depreciation	-	-	-	-	-	-	-
Total land improvements	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-
** Accumulated depreciation	-	-	-	-	-	-	-
Total buildings	-	-	-	-	-	-	-
Equipment (including library books)	-	-	-	-	-	-	-
** Accumulated depreciation	-	-	-	-	-	-	-
Total equipment	-	-	-	-	-	-	-
Software (internally generated & purchased)	-	-	-	-	-	-	-
Other intangibles	-	-	-	-	-	-	-
** Accumulated amortization - software	-	-	-	-	-	-	-
** Accumulated amortization - other intangibles	-	-	-	-	-	-	-
Total intangibles	-	-	-	-	-	-	-
Total other capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Capital asset summary:							
Capital assets not depreciated	\$ 1,017,342	\$ -	\$ 1,017,342	\$ 1,443,574	\$ -	\$ -	\$ 2,460,916
Other capital assets, book value	-	-	-	-	-	-	-
Total cost of capital assets	<u>1,017,342</u>	<u>-</u>	<u>1,017,342</u>	<u>1,443,574</u>	<u>-</u>	<u>-</u>	<u>2,460,916</u>
Accumulated depreciation/amortization	-	-	-	-	-	-	-
Capital assets, net	<u>\$ 1,017,342</u>	<u>\$ -</u>	<u>\$ 1,017,342</u>	<u>\$ 1,443,574</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,460,916</u>

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO OTHER SUPPLEMENTAL INFORMATION
REQUIRED BY THE STATE OF LOUISIANA (CONTINUED)
For the Year Ended June 30, 2012

Note I. Bonds & notes payable & capital leases.

	Balance at June 30 2011	Additions	Reductions	Balance at June 30, 2012	Amounts due within one year
Notes & bonds payable:	\$ -	\$ -	\$ -	\$ -	\$ -
Notes payable	-	-	-	-	-
Bonds payable	1,305,000	-	95,000	1,210,000	-
Total bonds and notes payable	<u>1,305,000</u>	<u>-</u>	<u>95,000</u>	<u>1,210,000</u>	<u>-</u>
Other liabilities:					
Compensated absences payable	-	-	-	-	-
Capital lease obligations	-	-	-	-	-
Claims and litigation payable	-	-	-	-	-
Pollution remediation obligations	-	-	-	-	-
Contracts payable	-	-	-	-	-
Reimbursement contracts payable	-	-	-	-	-
Other liabilities	-	-	-	-	-
OPEB Payable	-	-	-	-	-
Total other liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>\$ 1,305,000</u>	<u>\$ -</u>	<u>\$ 95,000</u>	<u>\$ 1,210,000</u>	<u>\$ -</u>

THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO OTHER SUPPLEMENTAL INFORMATION
REQUIRED BY THE STATE OF LOUISIANA (CONTINUED)
For the Year Ended June 30, 2012

SCHEDULE 1-A

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/11	(Redeemed) Issued	Principal Outstanding 6/30/2012 *	Interest Rates	Interest Outstanding 6/30/12	Maturities
<u>LSU HSC Foundation New Orleans</u>								
Equipment & Capital Facilities Pooled Loan Program Revenue Bonds, Series 2002A	01/01/02 01/02/00	\$ 2,035,000	\$ 1,305,000	\$ (95,000)	\$ 1,210,000	variable	-	2012-2024

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO OTHER SUPPLEMENTAL INFORMATION
REQUIRED BY THE STATE OF LOUISIANA (CONTINUED)
For the Year Ended June 30, 2012**

Schedule 2-A: Schedule of Bonds Payable Amortization

Fiscal Year Ending		Principal		Interest		Total
2013	\$	95,000	variable		\$	95,000
2014		95,000	variable			95,000
2015		100,000	variable			100,000
2016		105,000	variable			105,000
2017		110,000	variable			110,000
2018		115,000	variable			115,000
2019		120,000	variable			120,000
2020		125,000	variable			125,000
2021		130,000	variable			130,000
2022		135,000	variable			135,000
2023		80,000	variable			80,000
2024		-				-
2025		-				-
2026		-				-
2027		-				-
2028		-				-
2029		-				-
2030		-				-
2031		-				-
2032		-				-
2033		-				-
2034		-				-
2035		-				-
2036		-				-
2037		-				-
2038		-				-
2039		-				-
2040		-				-
2041		-				-
2042		-				-
Sub-total		1,210,000		-		1,210,000
Unamortized discount						-
Unamortized premiums						-
TOTAL	\$	1,210,000	\$	-	\$	1,210,000

List the terms by which interest rate changes for variable-rate debt:

Default interest rate is Prime Rate plus 2%.
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THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO OTHER SUPPLEMENTAL INFORMATION
REQUIRED BY THE STATE OF LOUISIANA (CONTINUED)
For the Year Ended June 30, 2012

System Office Note 16: Restricted Net Assets - Component Units

	LSU Foundation	Tiger Athletic Foundation	HSC S Foundation	HSC N.O. Foundation
Temporarily restricted:				
Chairs and professorships	-	-	-	\$ 19,739,117
Scholarships and fellowships	-	-	-	1,535,954
Specific academic and research projects	-	-	-	-
Academic support	-	-	-	-
Capital outlay and improvements	-	-	-	-
Research support	-	-	-	-
Institutional support	-	-	-	54,352
Faculty - salary supplements	-	-	-	-
Donor restrictions	-	-	-	12,010,361
Restricted contributions receivable	-	-	-	-
Restricted accounts payable	-	-	-	-
Building funds	-	-	-	-
Educational studies program	-	-	-	-
 Total temporarily restricted	 \$ -	 \$ -	 \$ -	 \$ 33,339,784
 Permanently restricted				
Chairs and professorships	-	-	-	39,806,449
Scholarships and fellowships	-	-	-	3,169,739
Specific academic and research projects	-	-	-	-
Academic support	-	-	-	-
Capital outlay and improvements	-	-	-	-
Research support	-	-	-	-
Institutional support	-	-	-	167,457
Endowment Funds	-	-	-	2,976,284
Educational studies program	-	-	-	-
Faculty - salary supplements	-	-	-	-
 Total permanently restricted	 \$ -	 \$ -	 \$ -	 \$ 46,119,929

**THE FOUNDATION FOR THE LSU HEALTH SCIENCES CENTER
NOTES TO OTHER SUPPLEMENTAL INFORMATION
REQUIRED BY THE STATE OF LOUISIANA (CONTINUED)
For the Year Ended June 30, 2012**

System Note 25. Amounts Held in Custody for Others - Component Units

<u>Entity</u>	LSU Foundation	Tiger Athletic Foundation*	LSU Health Sciences Center Foundation	LSUHSC New Orleans Foundation	Total
LSU at Alexandria Foundation	\$ -	\$ -	\$ -	\$ -	\$ -
LSU at Eunice Foundation	-	-	-	-	-
State matching funds	-	-	-	21,857,951	21,857,951
Split-interest agreements	-	-	-	57,735	57,735
Tiger Athletic Foundation	-	-	-	-	-
Coaches escrow accounts / affiliated chapters	-	-	-	-	-
LSU Athletic Department	-	-	-	-	-
Building tenant security deposits	-	-	-	-	-
Total temporarily restricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,915,686</u>	<u>\$ 21,915,686</u>